

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Meceola Central Dispatch Authority	County Mecosta/Osceola
Audit Date 12/31/04	Opinion Date 7/19/05	Date Accountant Report Submitted to State: 11/2/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC			
Street Address 16978 S. Riley Avenue	City Kincheloe	State MI	ZIP 49788
Accountant Signature <i>Anderson Tackman & Co PLC</i>		Date 11/2/05	

**MECEOLA CONSOLIDATED CENTRAL
DISPATCH AUTHORITY**

BASIC FINANCIAL STATEMENTS

December 31, 2004

MECEOLA CONSOLIDATED CENTRAL
DISPATCH AUTHORITY

APPOINTED OFFICIALS

CHAIRMAN

TERRY HARRIS

VICE CHAIRMAN

HENRY WAYER

TREASURER

GLORIA EISENGA

SECRETARY

PAUL BULLOCK

MEMBER

GEORGE FREEMAN

MEMBER

EDWARD SEATH

MEMBER

JAMES CRAWFORD

MEMBER

JOHN SONNTAG

MEMBER

RAYMOND STIENKE

MEMBER

PEG BRENNAN

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
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KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mecosta Osceola Consolidated
Central Dispatch Authority
20701 Northland Drive
Paris, MI 49338

We have audited the accompanying financial statements of the business-type activities of the Meceola Consolidated Central Dispatch Authority as of and for the year ended December 31, 2004, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Meceola Consolidated Central Dispatch Authority as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Meceola Consolidated Central Dispatch Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments as of January 1, 2004. This results in a change in the format and content of the basic financial statements.

The Management’s Discussion Analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

Anderson, Tackman & Company, PLC
Certified Public Accountants

July 19, 2005

Management's Discussion and Analysis

Meceola Consolidated Central Dispatch Authority

Management's Discussion and Analysis
December 31, 2004

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances.

The Authority as a Whole

The Authority's combined net assets increased 13.1% from a year ago from \$1,505,504 to \$1,703,437.

The Authority implemented GASB-34 accounting procedures for the period beginning January 1, 2004; therefore a comparative analysis cannot be performed this year. A comparative analysis will be provided in future years when prior year information is available.

In a condensed format, the table below shows the net assets of Meceola Consolidated Central Dispatch Authority.

	Business-Type Activities 2004
Current Assets	\$ 842,770
Noncurrent Assets	<u>1,078,743</u>
Total Assets	<u>1,921,513</u>
Current Liabilities	193,066
Long-Term Liabilities	<u>25,010</u>
Total Liabilities	<u>218,076</u>
Net Assets	
Invested in Capital Assets - Net of Debt	948,981
Unrestricted (Deficit)	<u>754,456</u>
Total Net Assets	<u>\$ 1,703,437</u>

Meceola Consolidated Central Dispatch Authority

Management's Discussion and Analysis December 31, 2004

The current level of unrestricted net assets for our business-type activities stands at \$754,456, or about 67.4% of expenses. This is within the targeted range set by the Authority's Board of Directors during its last budget process.

The following table shows the activities of the Authority.

	<u>Business-Type Activities 2004</u>
Revenues	
Charges for Services	\$ 1,306,792
Other Revenues	<u>9,693</u>
Total Revenues	<u>1,316,485</u>
Expenses	
Operations	951,649
Depreciation Expense	<u>166,904</u>
Total Expenses	<u>1,118,553</u>
Change in Net Assets	<u>\$ 197,932</u>

Meceola Consolidated Central Dispatch Authority

Management's Discussion and Analysis
December 31, 2004

Business-Type Activities

The Authority's total business-type revenues decreased by approximately \$33,724, this was primarily due to the decrease in revenues from surcharges on phone lines.

Expenses increased by about \$116,413 during the year. This was primarily the result of an increase in health liability insurance, retirement costs, and the L.I.E.N. lease.

Capital Asset and Debt Administration

At the end of 2004, the Authority had \$1,078,743 invested in a broad range of capital assets, including land, buildings, and equipment.

The Authority had \$25,010 in long term debt obligations at year end.

Economic Factors and Next Year's Budgets and Rates

A direct reflection of a soft economy, the Authority's 2005 budget will be tight essentially a "hold the line" document when compared to the 2004 program.

Insurance costs continue to increase.

Contacting the Authority's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Authority at 20701 Northland Drive, Paris, MI 49338.

Basic Financial Statements

Meceola Consolidated Central Dispatch Authority

Statement of Net Assets December 31, 2004

ASSETS

Current Assets

Cash Investments and Equivalents	\$ 636,278
Accounts Receivables	133,612
Due from Other Governments	8,420
Prepaid Expenses	15,415
Other Assets	<u>49,045</u>
Total Current Assets	<u>842,770</u>

Non Current Assets

Capital Assets, (Net of Accumulated Depreciation)	<u>1,078,743</u>
TOTAL ASSETS	<u>\$ 1,921,513</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 35,000
Current Portion of Note Payable	104,752
Accrued Payroll and Related Liabilities	26,121
Compensated Absences	<u>27,193</u>
TOTAL CURRENT LIABILITIES	<u>193,066</u>

Long-Term Liabilities

Notes payable – Long-Term Portion	<u>25,010</u>
TOTAL LIABILITIES	<u>218,076</u>

Net Assets

Investment in Capital Assets (Net of Related Debt)	948,981
Unrestricted	<u>754,456</u>
TOTAL NET ASSETS	<u>1,703,437</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,921,513</u>

Meceola Consolidated Central Dispatch Authority

Statement of Revenues, Expenses and Changes in Net Assets Year Ended December 31, 2004

OPERATING REVENUE:

Surcharge Fees	\$ 1,306,792
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TOTAL OPERATING REVENUES	<u>1,306,792</u>
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OPERATING EXPENSES:

Salaries and Wages	532,240
Payroll Taxes	43,852
Retirement	57,972
Employee Benefits	138,638
Supplies	11,139
Repair and Maintenance	8,496
Dues and Subscriptions	281
Travel	3,167
Training	14,670
Postage	620
Telephone	14,085
Utilities	7,225
Leases	29,698
Professional Fees	18,207
Service Contracts	43,957
Software License Contracts	9,559
Insurance	17,041
Depreciation	166,904
Miscellaneous	<u>801</u>

TOTAL OPERATING EXPENSES	<u>1,118,552</u>
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TOTAL OPERATING INCOME (LOSS)	<u>188,240</u>
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NON-OPERATING INCOME (EXPENSE):

Gain/Loss on Sale of Assets	(406)
Interest Income	12,437
Interest expense	(9,396)
Reimbursements	8,380
Other Expense	<u>(1,322)</u>

Net Non-Operating Income (Expense)	<u>9,693</u>
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Change in Net Assets	197,933
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NET ASSETS, JANUARY 1	<u>1,505,504</u>
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NET ASSETS, DECEMBER 31	<u>\$ 1,703,437</u>
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Meceola Consolidated Central Dispatch Authority

Statement of Cash Flows For the Year Ended December 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from Customers	\$ 1,328,058
Payments to Suppliers	(207,809)
Payments to Employees	<u>(764,331)</u>

Net Cash Provided (Used) by Operating Activities	<u>355,918</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Gain (Loss) on sale of assets	(406)
Net purchase of capital assets	(494,577)
Other Revenue	7,058
Interest Payments	(9,396)
Principal Payments	<u>(99,694)</u>

Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(597,015)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	<u>12,437</u>
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Net Cash Provided (Used) by Investing Activities	<u>12,437</u>
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Net Increase (Decrease) in Cash and Cash Equivalents	(228,660)
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Balances - Beginning of the Year	<u>864,938</u>
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Balances - End of the Year	<u><u>\$ 636,278</u></u>
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Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating Income	\$ 188,240
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	166,904
Loss on Disposal of Fixed Assets	406
Change in Assets and Liabilities:	
(Increase) Decrease in Assets:	
Accounts Receivable (Net)	(6,807)
Due from Governmental Units	28,073
Prepays	8,868
Other Assets	(22,462)
Increase (Decrease) in Liabilities:	
Accounts Payable	(15,675)
Accrued Interest Payable	<u>8,371</u>

Net Cash Provided by Operating Activities	<u><u>355,918</u></u>
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Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Meceola Consolidated Central Dispatch Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The Authority is classified as a business-type activity in accordance with GASB Statement #34. The following is a summary of the significant accounting policies used by the Authority:

A – Reporting Entity:

Financial Reporting Entity

The financial statements of the Authority include the following operations: Wireless, hard-wired and the internal cost communication center. The operations listed above are included because the Authority has direct oversight responsibility over each operation.

The Authority was organized in 1993, by Mecosta and Osceola Counties, Michigan, for the purpose of acquiring, owning and operating an enhanced emergency response system within the boundaries of the participating counties. The Authority is funded by a 16% surcharge on phone lines within the Counties.

The Authority is controlled by a nine member Commission. The Commission is comprised of a representative from the Michigan State Police, three members from Mecosta and Osceola Counties each, one member from the Michigan Sheriff's Association, and one member from the county whose sheriff is not appointed by the Michigan Sheriff's Association. The Authority elects from its members, a Chairperson, Vice-Chairperson, Treasurer and Secretary.

B – Basic Financial Statements

The basic financial statements (i.e., the statement of net assets and the statement of revenues, expenses and changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The basic financial statements are reported using the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All other revenue items are considered to be available only when cash is received by the government.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

Business-type activity funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to surcharges on phone lines within both counties. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Deposits are recorded at cost.

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in government-wide financial statements.

Capital Assets – Capital assets, which include property, plant, and equipment, are reported. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation – Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building Improvements	15-39 years
Equipment and Vehicles	5-20 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND EQUIVALENTS

Statutory Authority:

Michigan law (Act 196 PA 1997) authorizes the Authority to deposit and invest in one or more of the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Bankers acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

Meceola Consolidated Central Dispatch Authority

Notes to Financial Statements
December 31, 2004

NOTE 2 - CASH AND EQUIVALENTS: (Continued)

- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Authority's deposits are in accordance with statutory authority. The Authority's deposits are located in local financial institutions. All deposits are carried at cost.

<u>Balance Sheet Account</u>		<u>Cash Items</u>	
Cash Investments and		Checking	\$ 367,992
Equivalents	\$ 636,278	Investments	<u>268,286</u>
	<u>\$ 636,278</u>		<u>\$ 636,278</u>

The deposit risk disclosures as required by Governmental Accounting Standards Board (GASB) Statement No. 3 are summarized as follows:

	<u>Insured</u>	<u>Uninsured</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Checking and Savings	<u>\$ 200,000</u>	<u>\$ 338,106</u>	<u>\$ 538,106</u>	<u>\$ 367,992</u>

The Authority's deposits are approximately 37% covered by FDIC insurance.

NOTE 3 - INVESTMENTS:

The Authority's investments are categorized below to give an indication of the level of risk assumed by the Authority at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investment for which the securities are held by the broker's or dealer's trust department or agent in the Authority's name. Category 3 includes uninsured or unregistered investments for which the securities are held by the broker or dealer or by its trust department or agent but not in the Authority's name.

<u>Investment Type</u>	<u>Category</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Total Risk-					
Uncategorized					
Investments:					
Money Market	<u>\$ -</u>	<u>\$ 268,286</u>	<u>\$ -</u>	<u>268,286</u>	<u>268,286</u>
Total Investment				<u>\$ 268,286</u>	<u>\$ 268,286</u>

Meceola Consolidated Central Dispatch Authority

Notes to Financial Statements
December 31, 2004

NOTE 4 - CAPITAL ASSETS

Capital Asset activity for the Authority for the current year was as follows:

	Balance 01/01/04	Increases	Decreases	Balance 12/31/04
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 10,529	\$ -	\$ -	\$ 10,529
Construction in progress	<u>285,926</u>	<u>-</u>	<u>285,926</u>	<u>-</u>
Subtotal	<u>296,455</u>	<u>-</u>	<u>285,926</u>	<u>10,529</u>
Capital assets being depreciated:				
Buildings	390,847	11,886	-	402,733
Equipment	<u>658,513</u>	<u>768,617</u>	<u>2,083</u>	<u>1,425,047</u>
Subtotal	<u>1,049,360</u>	<u>780,503</u>	<u>2,083</u>	<u>1,827,780</u>
Less accumulated depreciation for:				
Buildings	143,615	13,897	-	157,512
Equipment	<u>450,724</u>	<u>153,007</u>	<u>1,677</u>	<u>602,054</u>
Subtotal	<u>594,339</u>	<u>166,904</u>	<u>1,677</u>	<u>759,566</u>
Net Capital Assets being Depreciated	<u>455,021</u>	<u>613,599</u>	<u>406</u>	<u>1,068,214</u>
Total Capital Assets – Net of Depreciation	<u>\$ 751,476</u>	<u>\$ 613,599</u>	<u>\$ 286,332</u>	<u>\$ 1,078,743</u>

NOTE 5 - ACCRUED COMPENSATED ABSENCES:

Recognition is made for the liability existing for unused benefits at December 31, 2004, as follows:

	2004
Vacation	\$ 15,025
Sick leave	10,916
Compensatory time	<u>1,252</u>
TOTAL ACCRUED COMPENSATED ABSENCES	<u>\$ 27,193</u>

Meceola Consolidated Central Dispatch Authority

Notes to Financial Statements
December 31, 2004

NOTE 5 - ACCRUED COMPENSATED ABSENCES: (Continued)

Sick leave is lost if the employee is terminated and is stipulated by the union contract covering the employee group. An employee who accumulates more than 160 hours of sick leave as of December 31, each year will be paid for 50% of all sick days in excess of 160 hours at the rate of pay in effect on December 31, of the current year and shall have the number of accumulated hours reduced accordingly. As of December 31, of each year a computation will be made to determine the number of accumulated vacation days for each employee. Any employee who has accumulated more than 160 hours of vacation shall be paid for all hours in excess of 160 hours at the rate of pay in effect on December 31, of the current year and shall have the number of accumulated hours reduced accordingly. Compensatory time is time worked in excess of 40 hours and is paid at time and one-half.

NOTE 6 - RELATED ORGANIZATIONS:

Mecosta and Osceola Counties each passed resolutions establishing the Mecosta Osceola Consolidated Central Dispatch Authority with Mecosta County having a 60 percent interest and Osceola County having a 40 percent interest.

NOTE 7 - MAJOR SOURCES OF FUNDS:

A significant amount of the revenue of the Mecosta Osceola Consolidated Central Dispatch Authority is derived from 911 telephone surcharges that must be periodically renewed by voters. The loss of telephone surcharge revenue from one of the Counties would have a significant affect on the Authority's ability to continue its operations.

NOTE 8 - NOTE PAYABLE:

The Authority executed one promissory note with a local financial institution. The term of the note includes monthly payments of \$9,075, 5% interest, secured by equipment due in March 2006.

Balance, January 1, 2004	\$ 229,456
Additions	-
Deletions (payments)	<u>(99,694)</u>
Balance, December 31, 2004	<u>\$ 129,762</u>

Maturities of principal over the remaining life of the notes payable are summarized as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2005	104,752	4,151
2006	<u>25,010</u>	<u>1,371</u>
Total	<u>\$ 129,762</u>	<u>\$ 5,522</u>

NOTE 9- RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered economically justifiable. The government joined together with other governments to form a public entity risk pool currently operating as a common risk management and insurance program for any and all transit commissions, agencies, districts, authorities, boards, and similar entities. The government pays an annual premium to the pool for its general insurance coverage. The agreement for formation provides that the pool will be self-sustaining through member premiums.

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. It is not possible to estimate the amount of such additional assessments.

NOTE 10 - POST EMPLOYMENT BENEFITS:

The Authority provides health insurance coverage to the retired employees of the governmental unit. The health insurance coverage is similar to the coverage provided to current employees. The Authority submits payment to the health insurance provider for the premiums on a monthly basis. These premiums are reimbursed to the Authority by the retired employees in the preceding month. During 2004, premiums of \$0 were submitted to the health insurance provider.

NOTE 11 - RETIREMENT PLAN:

Description of Plan and Plan Assets

The Authority is in an agent single-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions; normal retirement, deferred retirement, and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 1.7 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2003.

NOTE 11 - RETIREMENT PLAN: (Continued)

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA) 5.333(a); MCLA 46.12(a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issued a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Authority's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The Authority is required to contribute at an actuarially determined rate. The contribution rate as a percentage of payroll at July 1, 2005 is 10.05%.

Annual Pension Cost

During the fiscal year ended December 31, 2004, the Authority's contributions totaling \$57,972 were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2003. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required amortizing the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for this projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. Employees of the Authority are not required to contribute to the plan.

Three year trend information as of December 31, follows:

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Actuarial Value of Assets	\$ 440,067	\$ 505,213	\$ 603,038
Actuarial Accrued Liability	570,390	661,811	760,286
Unfunded AAL	130,323	156,598	157,248
Funded Ratio	77%	76%	79%
Covered Payroll	451,582	475,923	523,092
UAAL as a Percentage of Covered Payroll	29%	33%	30%

Meceola Consolidated Central Dispatch Authority

Notes to Financial Statements
December 31, 2004

NOTE 12 -DUE FROM OTHER GOVERNMENTS:

In 2001, the Authority purchased new equipment that is used by various governments in the area. These governments must pay a fee for using the equipment. The arrangement executed in 2001 was payment (in full) in 60 months at 5% interest.

	<u>01/01/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/04</u>
Ferris State University	\$ 21,973	\$ -	\$ (13,553)	8,420
City of Big Rapids	<u>14,520</u>	<u>-</u>	<u>(14,520)</u>	<u>-</u>
	<u>\$ 36,493</u>	<u>\$ -</u>	<u>\$ (28,073)</u>	<u>\$ 8,420</u>

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE:

Effective January 1, 2004, the Authority implemented several new accounting standards issued by GASB:

Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions, as amended by Statement No. 36, Recipient Reporting for Certain Shared Non-Exchange Revenues, which establishes standards for recording non-exchange transactions on the modified accrual and accrual basis of accounting.

Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as amended by Statement No. 37, Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments Omnibus, which established new financial reporting standards for state and local governments. This statement requires significant change in the financial reporting model used by local governments, eliminating account groups and utilizing full accrual basis of accounting and the economic resources measurement focus. Another significant change is the Management Discussion and Analysis Section, which provides an overall analysis of the financial position and results of operations and conditions that could have significant effect on the financial position or results of operations.

Statement No. 38, Certain Financial Statement Note Disclosures, which requires certain note disclosures when implementing GASB Statement 34.



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
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DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

REPORT TO MANAGEMENT

Board of Directors
Meceola Consolidated Central Dispatch Authority
20701 Northland Drive
Paris, MI 49338

We have audited financial statements of the Meceola Consolidated Central Dispatch Authority for the year ended December 31, 2004, and have issued our reports thereon dated July 19, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Meceola Consolidated Central Dispatch Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Meceola Consolidated Central Dispatch Authority are described in Note 1. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Meceola Consolidated Central Dispatch Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. The Authority did implement GASB Statement #34 during 2004.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Meceola Consolidated Central Dispatch Authority's financial reporting process (that is, cause future financial statements to be materially misstated). Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Meceola Consolidated Central Dispatch Authority or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Meceola Consolidated Central Dispatch Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

Audit Report Filing (prior year) – Section 406 of Public Act 81 of 1999 requires the authority to perform an annual audit within 180 days of year end. The audit was not performed within that time frame for fiscal 2000, 2001, 2002, 2003, or 2004. Additionally, prior year audits were not performed.

Prepaid Insurance (prior year) – It was noted that prepaid insurance was misstated. Management should regularly reevaluate the amount recorded to reflect the actual amount that is prepaid.

Assets Disposals (prior year) – It was noted that the Authority acquires and disposes of assets throughout the year; however the Board does not approve these activities. It is recommended that the Board approve all asset acquisitions and disposals.

Accounts Receivable – The Authority receives revenue from miscellaneous telephone companies throughout the year. Since there are many small telephone companies, this revenue is combined approximately twice a month and deposited. This year it was difficult to determine what invoices belonged to which deposits when trying to determine accounts receivable. It is recommended that the Authority stamps each invoice with the date received and attache a copy of each invoice to the deposit listing.

Due from Other Governments – The City of Big Rapids has a contract with the Authority to pay a fee for use of their equipment. The City of Big Rapids paid the debt off in full in July of 2004. Instead of posting to Due to Other governments, the revenue was posted as a reduction to Fixed Assets. It is recommended that revenue is posted to the correct account to provide an accurate accounting of assets and liabilities.

Conclusion

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of assistance, please contact us.

This report is intended solely for the information and use of the Members of the Board, management, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

July 19, 2005